On page 23, line 28, to page 24, line 1, change "is initialized to provide the initialized reference quantization step size Qgop" to --initializes Qgop by providing the initial reference quantization step size--;

R'

On page 28, line 23, change ""Test Model 5 method"" to --"Test Model 5" method--;

On page 29, line 23, change "-vboc/" to --/--;

On page 30, line 24, change "(N-1)" to --(N+1)--;

On page 31, line 6, change "to GOP of GOP" to --to the GOP of--;

On page 31, line 11, change "1+a" to --1+α--;

On page 31, line 14, change "parameter a" to --parameter α--;

On page 31, line 16, change "a=a'/δx" to --$\alpha = \alpha'/\delta x$ where δx is a standard deviation of complexity--;

A2

On page 33, line 26, change "bit count" to --bit rate--;

On page 34, line 5, change "one-path" to --single-path--;

IN THE CLAIMS:

Please amend the Claims as follows:

Claim 1, line 16, change "an excess or shortage of" to --a bit balance to--;

Claim 7, line 8, change "excess or shortage of" to --bit balance to--; and

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